

FINANCIAL STATEMENTS
LANGDON AREA SCHOOL DISTRICT NO. 23
LANGDON, NORTH DAKOTA

For the Year Ended
JUNE 30, 2022

Hurt, Mortenson & Rygh
Certified Public Accountants
1203 Park Street East
Park River, ND 58270

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

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LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

SCHOOL OFFICIALS

For the Year Ended June 30, 2022

Dave Hart	School Board President
Tiffany Hetletved	School Board Vice President
Darren Bachman	School Board Member
Tyler Feist	School Board Member
Dawn Kruk	School Board Member
Steve Olson	School Board Member
Cindy Stremick	School Board Member
Daren Christianson	Superintendent
Shauna Schneider	Business Manager



INDEPENDENT AUDITOR'S REPORT

To the School Board
Langdon Area School District No. 23
Langdon, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Langdon Area School District No. 23, Langdon, North Dakota as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Langdon Area School District No. 23, Langdon, North Dakota, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Langdon Area School District No. 23, North Dakota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Langdon Area School District No. 23, North Dakota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Langdon Area School District No. 23, North Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Langdon Area School District No. 23, North Dakota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America requires that the budgetary comparison information, Schedules of Employer's Share of Net Pension Liability, and Schedules of Employer's Contributions as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Langdon Area School District No. 23, North Dakota's basic financial statements. The accompanying statement of revenues, expenditures and changes in fund balance – General Fund and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenditures and changes in fund balance – General Fund and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of Langdon Area School District No. 23, Langdon, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Langdon Area School District No. 23, Langdon, North Dakota's internal control over financial reporting and compliance.



Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
December 19, 2022

BASIC FINANCIAL STATEMENTS

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Net Position

June 30, 2022

	Governmental Activities
ASSETS:	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 3,114,028
Accounts Receivables	111,175
Intergovernmental Taxes Receivable	22,652
Taxes Receivable	143,481
Total Current Assets	3,391,336
NON-CURRENT ASSETS	
Capital Assets net of Accumulated Depreciation	1,242,502
Total Non-Current Assets	1,242,502
Total Assets	4,633,838
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	888,804
Total Deferred Outflows of Resources	888,804
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 5,522,642</u>
LIABILITIES:	
CURRENT LIABILITIES	
Accounts Payable	\$ 82,939
Total Current Liabilities	82,939
NON CURRENT LIABILITIES	
Sick Leave Payable	25,106
Net Pension Liability	3,553,805
Total Non-Current Liabilities	3,578,911
Total Liabilities	3,661,850
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	1,644,608
Total Deferred Inflows of Resources	1,644,608
TOTAL LIABILITIES AND DEFERRED INFLOWS	5,306,458
NET POSITION:	
Net Investment in Capital Assets	1,242,502
Restricted for:	
Capital Projects	1,108,515
Food Service	83,115
Special Reserve	102,256
Student Activities	182,973
Unrestricted	(2,503,177)
Total Net Position	216,184
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,522,642</u>

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Regular Instruction	\$ 2,038,996	\$ 6,625	\$ 181	\$ -	\$ (2,032,190)
Special Education	605,246	-	45,790	-	(559,456)
Career and Technical Education	250,756	-	27,079	-	(223,678)
Federal Programs	367,710	-	663,373	-	295,663
Student Support Services:					
Improvement of Instruction	92,570	-	-	-	(92,570)
Library	78,708	-	-	-	(78,708)
Computer Assisted Instruction Services	-	-	-	-	-
Guidance Services	24,113	-	-	-	(24,113)
Administration	480,613	-	-	-	(480,613)
Business Office	123,796	-	-	-	(123,796)
Operation and Maintenance	628,942	-	-	-	(628,942)
Transportation	326,249	-	137,789	-	(188,459)
Food Service	328,147	13,950	335,189	-	20,991
Extra Curricular	536,291	294,516	-	-	(241,774)
Total Primary Government	\$ 5,882,137	\$ 315,091	\$ 1,209,401	\$ -	\$ (4,357,646)
General Revenues:					
Property Taxes Levies for:					
General Purposes					\$ 3,107,001
Building Fund					112,337
Special Reserve					112,320
Federal & State Aid not restricted to special purposes					1,830,791
Other Revenues					37,610
Total General Revenues					5,200,059
Change in Net Position					842,413
Net Position - July 1					(820,921)
Restatement					194,692
Net Position - July 1, as Restated					(626,229)
Net Position - June 30					<u><u>\$ 216,184</u></u>

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Balance Sheet -Governmental Funds

June 30, 2022

	General	Building Fund	Food Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,617,319	\$ 1,102,851	\$ 114,293	\$ 279,565	\$ 3,114,028
Accounts Receivable	111,175	-	-	-	111,175
Intergovernmental Taxes Receivable	21,108	772	-	772	22,652
Taxes Receivable	133,698	4,891	-	4,891	143,481
Total Assets	<u>\$ 1,883,299</u>	<u>\$ 1,108,515</u>	<u>\$ 114,293</u>	<u>\$ 285,229</u>	<u>\$ 3,391,336</u>
LIABILITIES AND FUND BALANCE:					
LIABILITIES					
Student Deposits	\$ -	\$ -	\$ 31,178	\$ -	\$ 31,178
Flex Spending Account Payable	51,761	-	-	-	51,761
Total Liabilities	<u>51,761</u>	<u>-</u>	<u>31,178</u>	<u>-</u>	<u>82,939</u>
DEFERRED INFLOWS OF RESOURCES:					
Uncollected Taxes Receivable	130,948	4,790	-	4,810	140,548
Total Liabilities & Deferred Inflows of Resources	<u>182,709</u>	<u>4,790</u>	<u>31,178</u>	<u>4,810</u>	<u>223,487</u>
Fund Balances:					
Restricted for:					
Capital projects	-	1,103,725	-	-	1,103,725
Food Service	-	-	83,115	-	83,115
Special Reserve	-	-	-	97,446	97,446
Student Activities	-	-	-	182,973	182,973
Unassigned	<u>1,700,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,700,590</u>
Total Fund Balance	<u>1,700,590</u>	<u>1,103,725</u>	<u>83,115</u>	<u>280,419</u>	<u>3,167,849</u>
Total Liabilities & Fund Balance	<u>\$ 1,883,299</u>	<u>\$ 1,108,515</u>	<u>\$ 114,293</u>	<u>\$ 285,229</u>	<u>\$ 3,391,336</u>

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23
Langdon, North Dakota
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Total <i>Fund Balance</i> for Governmental Funds	\$ 3,167,849
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Total *net position* reported for governmental activities in the statement of net position is different because:

Sick Leave Payable	(25,106)
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Cost of Capital Assets	\$ 5,837,503	
Less: Accumulated Depreciation	(4,595,001)	
Net Capital Assets	1,242,502	

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds	140,548
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Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the statement of net position.

Net Pension Liability	(3,553,805)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions	888,804	
Deferred inflows related to pensions	(1,644,608)	

Total <i>Net Position</i> of Governmental Activities	\$ 216,184
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The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2022

	General	Building Fund	Food Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources	\$ 3,148,081	\$ 114,229	\$ 13,950	\$ 406,725	\$ 3,682,984
State Sources	2,041,630	-	773	-	2,042,403
Federal Sources	663,373	-	334,416	-	997,789
Total Revenues	5,853,084	114,229	349,138	406,725	6,723,176
Expenditures:					
Regular Education Programs	2,137,680	-	-	-	2,137,680
Special Education	616,567	-	-	-	616,567
Career and Technical Education	264,112	-	-	-	264,112
Federal Programs	390,427	-	-	-	390,427
Student Support Services					
Improvement of Instruction	92,570	-	-	-	92,570
Library	82,874	-	-	-	82,874
Computer Assisted Instruction Services	-	-	-	-	-
Guidance Services	24,113	-	-	-	24,113
Administration	503,562	-	-	-	503,562
Business Office	123,796	-	-	-	123,796
Operation and Maintenance	491,274	29,351	-	-	520,624
Transportation	320,226	-	-	-	320,226
Extra Curricular	240,098	-	-	305,658	545,756
Food Service	-	-	327,556	-	327,556
Capital Outlay:	163,141	83,627	853	-	247,621
Total Expenditures	5,450,440	112,978	328,409	305,658	6,197,484
Excess Revenues over (under) Expenditures	402,645	1,251	20,729	101,067	525,692
Other Financing Sources(Uses):					
Interfund Transfers In	179,963	337,000		-	516,963
Interfund Transfers (Out)	(337,000)	-		(179,963)	(516,963)
Net Change in Fund Balances	245,608	338,251	20,729	(78,896)	525,692
Fund balance - July 1	1,454,405	765,474	62,386	165,200	2,447,465
Restatements	578	-	-	194,114	194,692
Fund balance - June 30	<u>\$ 1,700,590</u>	<u>\$ 1,103,725</u>	<u>\$ 83,115</u>	<u>\$ 280,419</u>	<u>\$ 3,167,849</u>

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - All Governmental Fund Types

For the Year Ended June 30, 2022

Net Change in <i>Fund Balance</i> - Total Governmental Funds	\$	525,692
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenses. However, in the statement of activities assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	246,768	
Current Year Depreciation Expense	<u>(114,972)</u>	131,796

Governmental funds expense sick pay as incurred. However, in the statement of activities, sick pay is expensed when the liability is deemed measurable. This is the amount the accrued sick leave liability (increased) decreased during the year.

4,080

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This is the increase (decrease) in taxes receivable from the prior year.

1,374

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	310,164	
Cost of benefits earned net of employee contributions	<u>(130,696)</u>	179,468

Change in <i>Net Position</i> of Governmental Activities	<u>\$</u>	<u>842,414</u>
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The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23
Langdon, North Dakota
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2022

	Private Purpose Trust Funds
	<u> </u>
Assets	
Cash and Investments	<u>\$ 342,525</u>
 Net Position	
Restricted for:	
Individuals and Organizations	<u> 342,525</u>
Total Net Position	<u><u>\$ 342,525</u></u>

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23
Langdon, North Dakota
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
June 30, 2022

	Private Purpose Trust Fund
Additions	
Donations	\$ 59,226
Interest	5,115
Total Revenues	<u>64,341</u>
Deductions	
Scholarships and Grants	6,232
Other Expenses	16,618
Total Deductions	<u>22,850</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ 41,491</u>
Net Position - July 1	301,033
Net Position - June 30	<u><u>\$ 342,525</u></u>

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota Notes To The Financial Statements For the Year Ended June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LANGDON AREA SCHOOL DISTRICT NO. 23 have been prepared in conformity with generally accepted accounting principles (*GAAP*) as applied to government units in the United States of America. The *Governmental Accounting Standards Board (GASB)* is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The District's Board of Education is the level of government, which has financial accountability, responsibility and control over all activities related to the public school education in the District's boundaries. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the related Governmental Account Standards Board Statement 14, since the Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operation and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

The District's financial statements include all of the District's operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from LANGDON AREA SCHOOL DISTRICT NO. 23.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues, as are internally dedicated resources.

Governmental Fund Financial Statements: Separate financial statements are provided for governmental funds including fiduciary funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, reserves, fund equity,

revenues and expenditures, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Major individual governmental funds are reported as separate columns in the fund financial statements.

The school district reports the following governmental funds:

General Fund (a major governmental fund) – The general fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from this fund.

Building Fund (a major governmental fund) – This fund has its own mill levy dedicated to major construction projects. Levy funds can also be used for property insurance premiums covering school district property.

Food Service Fund (a major governmental fund) – This fund is used to record financial transactions related to food service operations. The fund is financed by user charges and grants.

Additionally, the School District reports the following fiduciary fund type:

Private purpose trust fund – This fund accounts for the financial transactions related to the Langdon Area School District Foundation.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this is federal and state grants collected on a reimbursement basis, which are recognized as revenue when reimbursable expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented following the fund level statement that

summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less. State law requires district funds to be deposited in a financial institution situated and doing business within this state.

E. Capital Assets

Capital assets, which include land, buildings and improvements and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects and constructed. Buildings & improvements and furniture & equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	50
Buses	10
Furniture & equipment	10
Vehicles	5
Computer & electronic equipment	5

F. Compensated Absences

Unused personal leave and accumulated sick time for qualified employees is reported in the government – wide statement of Net Position. Each teacher is granted two days of personal leave each year and may accumulate up to 5 days of personal leave. Teachers are granted ten days of sick leave each year and may accumulate up to 65 days of sick leave, which will be paid to employees upon retirement from the school district at a rate of \$50 per day.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of fund net position.

In the fund financial statements, governmental fund types recognize long-term debt as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

H. Deferred Outflows/Inflows of Resources

Deferred Outflows of resources on the Statement of Net Position represent consumption of resources applicable to future periods and so will not be recognized as an expense until then. The District's deferred outflows of resources reported on the statement of net position are related to defined benefit pension plans (TFFR). The amount represents actuarial differences within the pension plans as well as contributions to the plans made after the measurement date.

Deferred Inflows of resources on the Statement of Net Position represent acquisition of resources applicable to future periods and so will not be recognized as revenue until that time. The District's deferred inflow of resources on the Statement of Net Position are related to defined benefit pension plans (TFFR). The amount represents actuarial differences within the pension plans.

Deferred inflows of resources on the governmental funds balance sheet consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. The district recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources.

I. Net Position/Fund Balance

Government-wide Financial Statements

Equity is classified in the government-wide financial statements as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statement

Equity is classified in the governmental funds financial statements as fund balance and displayed in five components:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the school district. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the school district intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the school district’s administration comprised of the school district’s governing board.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

J. Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned resources are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The District’s governing board approved the following budget amendments during the fiscal year:

June 30, 2022

Budget Amendments:	Original Budget	Amendment	Amended Budget
Revenues			
Major Funds:			
General Fund	\$ 6,021,057	\$ 159,384	\$ 6,180,441
Expenditures			
Major Funds:			
General Fund	\$ 6,117,603	\$ 105,624	\$ 6,223,227

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with North Dakota Statutes, the School District maintains deposits in a financial institution situated and doing business within this state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the School District to invest in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress,
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above,
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation or pledge of governmental securities,
- d) Obligations of the state.

The School District's deposits at June 30, 2022, were entirely covered by federal depository insurance or by collateral held by the pledging financial institutions' trust department or agent in the city's name. For the purpose of credit-risking, all cash deposits and certificates are considered to be deposits.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage.

B. Investments

Concentration of Credit Risk - The risk that the counterparty of an investment will not fulfill its obligations. The School District's policy for limiting the credit risk of investment is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The School District manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

At year ended June 30, 2022, the School District's carrying amount of deposits and CDs totaled \$3,456,552 and the bank balances totaled \$3,871,906. Of the bank balances, \$1,592,585 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,279,321 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2022:

Accounts Receivable	6/30/2022
ND Department of Public Instruction	
<i>Carl Perkins Grant</i>	16,143
<i>ESSER</i>	67,953
ND Department of Career & Technical Education	27,079
Total Accounts Receivable	<u>\$ 111,175</u>

NOTE 5 CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2022 was as follows:

	July 1, 2021	Increases	Decreases	June 30, 2022
Capital Assets, being depreciated:				
Buildings	\$ 4,098,247	\$ 171,563	\$ -	\$ 4,269,810
Equipment	1,361,726	27,145	-	1,388,871
Buses & Vehicles	130,762	48,060	-	178,822
Total Capital Assets Being Depreciated	<u>\$ 5,590,735</u>	<u>\$ 246,768</u>	<u>\$ -</u>	<u>\$ 5,837,503</u>
Accumulated depreciation:				
Buildings	(3,253,115)	(37,359)	-	(3,290,474)
Equipment	(1,098,799)	(70,959)	-	(1,169,758)
Buses & Vehicles	(128,115)	(6,654)	-	(134,769)
Total Accumulated Depreciation	<u>\$ (4,480,029)</u>	<u>\$ (114,972)</u>	<u>\$ -</u>	<u>\$ (4,595,001)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 1,110,706</u>	<u>\$ 131,796</u>	<u>\$ -</u>	<u>\$ 1,242,502</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,110,706</u>	<u>\$ 131,796</u>	<u>\$ -</u>	<u>\$ 1,242,502</u>

Depreciation expense was charged to the following functions:

Transportation	\$ 6,654
Operations and Maintenance	108,318
Total Depreciation Expense	<u>\$ 114,972</u>

NOTE 6 DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

The district recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources.

Below is a summary of the District's property tax receivables and deferred inflows of resources:

	<u>Receivable</u>	<u>Deferred</u>
General Fund	\$ 133,698	\$ 130,948
Special Reserve Fund	4,891	4,790
Capital Project Fund	4,891	4,810
	<u>\$ 143,481</u>	<u>\$ 140,548</u>

NOTE 7 LONG TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022
Long-Term Obligations				
Compensated Absences Payable	\$ 29,186	\$ -	\$ (4,080)	\$ 25,106
Net Pension Liability TFFR	5,592,018	-	(2,038,213)	3,553,805
Total Long-Term Obligations	<u>\$ 5,621,204</u>	<u>\$ -</u>	<u>\$ (2,042,293)</u>	<u>\$ 3,578,911</u>

NOTE 8 PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

NOTE 9 PENSION PLANS

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net positions have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plans

North Dakota Teachers' Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00%

times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Employer reported a liability of \$3,553,805 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2021, the Employer's proportion was 0.337283 percent, which was a decrease of 0.028088 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Employer recognized pension expense of \$130,696. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 24,691	\$ 149,873
Net difference between projected and actual earnings on pension plan investments	-	1,041,316
Changes of assumptions	124,826	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	429,123	453,419
*Employer contributions subsequent to the measurement date of July 1, 2021	310,164	-
Total	<u>\$ 888,804</u>	<u>\$ 1,644,608</u>

*\$310,164 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (236,340)
2024	(108,821)
2025	(261,685)
2026	(338,026)
2027	(28,140)
Thereafter	(92,956)
Total	<u>\$ (1,065,969)</u>

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2021, funding actuarial valuation for TFFR.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55%	6.87%
Global Fixed Income	26%	0.74%
Global Real Assets	18%	4.80%
Cash Equivalents	1%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2021, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2021. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	5,336,171	3,553,805	2,073,732

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2021.pdf>.

Payables to the Pension Plan

As of June 30, 2022, the district had no accrued payable to the pension plan.

NOTE 10 RISK MANAGEMENT

The Langdon Area School District No. 23 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The district pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The Langdon Area School District No. 23 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

The State Bonding Fund currently provides the school district with blanket fidelity bond coverage in the amount of \$1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The school district also participates in North Dakota Workforce Safety and Insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance

with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

NOTE 12 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program and its market value is recognized as revenue from federal sources. The market value of commodities received for the year ended June 30, 2022 was \$22,771.

NOTE 13 COMMITMENTS

The District has contracted with a private entity to provide transportation for its students. The contractor is responsible for maintenance, insurance, and wages relating to bus operations. The length is for seven years and continues through June 30, 2021. The contract price is based on an agreed upon cost per mile, which can increase or decrease with diesel prices.

NOTE 14 TAX ABATEMENTS

Cavalier and Walsh County and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various businesses. Cavalier and Walsh County have the following types of tax abatement and tax exemption agreements with various individuals and commercial entities at June 30, 2022.

New or Expanding Business Exemption under NDCC Ch. 40-57.1, provides property tax abatements by assisting in establishing industrial plants, expanding, and retaining existing businesses. A property tax exemption allows for the property to be excluded for up to five years. The property must have prior certification as a primary sector business by the ND Commerce Department. A partial or complete exemption from ad valorem taxation under this section for retail sector projects may receive a partial or complete exemption from the governing body of the city or county.

Public Charity Exemption: Public charities are eligible for property tax exemption if they meet state requirements at NDCC-57-02-08 (8). All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Property Tax Exemption of Improvements to Buildings: Improvements to commercial and residential buildings and structures as defined in NDCC 57-02.2-03 may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits.

Property Tax Exemption for Builders of Certain New Single-Family Residential Properties.

N.D.C.C. § 57-02-08(35) provides a discretionary exemption for certain new single-family residential properties from property taxes for the taxable year in which construction began and the next two taxable years, if the property remains owned and occupied for the first time, and other conditions are met. Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated is eligible for consideration.

Various businesses and individuals located in Cavalier and Walsh County have received property tax abatements and/or exemptions under the above programs. The value of these abatements and exemptions are currently not calculated by the county, so the resulting reduction to the District's property tax revenues could not be determined.

NOTE 15 PRIOR PERIOD ADJUSTMENT

Net position/fund balance as of July 1, 2021 has been restated due to a fund reclassification under GASB Statement No. 84, Fiduciary Activities. The general fund beginning net position/fund balance increased by \$578 to include the District's Flex Benefit Fund. Other governmental funds beginning net position/fund balance increased by \$194,114 to include the Student Activity Fund. The Flex Benefit Fund and Student Activity Fund were previously reported as fiduciary funds.

NOTE 16 SUBSEQUENT EVENTS

As of December 19, 2022, the date the financial statements were available to be issued, the District was not aware of any subsequent events that need to be disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2022

	<u>General Fund</u>			
	Original Budget	Final Budget	Actual	Variance
Revenues:				
Local Sources	\$ 3,312,189	\$ 3,150,220	\$ 3,148,081	\$ (2,139)
State Sources	2,296,752	2,482,122	2,041,630	(440,492)
Federal Sources	412,116	548,098	663,373	115,275
Total Revenues	6,021,057	6,180,441	5,853,084	(327,356)
Expenditures:				
Regular Instruction Programs	2,449,688	2,356,974	2,137,680	219,294
Special Education	687,006	687,006	616,567	70,439
Vocational Instruction	261,782	261,782	264,112	(2,330)
Federal Programs	397,966	677,725	390,427	287,298
Student Support Services				
Improvement of Instruction	89,000	89,000	92,570	(3,570)
Library	176,527	90,658	82,874	7,784
Computer Assisted Instruction Svc	-	-	-	-
Guidance Services	90,041	11,775	24,113	(12,338)
Administration	442,739	525,453	503,562	21,891
Business Office	118,738	118,738	123,796	(5,058)
Operation and Maintenance	712,899	712,899	654,415	58,484
Transportation	330,000	330,000	320,226	9,774
Food Service	-	-	-	-
Extra Curricular	361,217	361,217	240,098	121,119
Total Expenditures	6,117,603	6,223,227	5,450,440	772,787
Excess Revenues over (under) Expenditures	(96,546)	(42,786)	402,645	445,431
Fund balance - July 1	1,454,405	1,454,405	1,454,405	
Fund balance - June 30	<u>\$ 1,357,859</u>	<u>\$ 1,411,619</u>	<u>\$ 1,700,590</u>	

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

**Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement**

Last 10 Fiscal Years*

Year Ended June 30	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.336932%	3,530,450	1,954,383	180.6%	66.60%
2016	0.322950%	4,345,937	2,043,965	212.6%	62.10%
2017	0.270292%	3,959,931	1,756,152	225.5%	59.20%
2018	0.338023%	4,642,839	2,281,561	203.5%	63.20%
2019	0.344954%	5,592,018	2,345,033	238.5%	65.50%
2020	0.363637%	5,008,197	2,551,015	196.3%	65.50%
2021	0.365371%	5,592,018	2,665,970	209.8%	64.40%
2022	0.337283%	3,553,805	2,599,443	136.7%	63.40%

*Complete data for this schedule is not available prior to 2015.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Schedule of Employer Contributions

ND Teachers' Fund for Retirement

Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	210,094	210,094	0	1,954,383	10.75%
2015	260,593	260,593	0	1,954,383	13.33%
2016	223,909	223,909	0	2,043,965	10.95%
2017	290,899	290,899	0	1,756,152	16.56%
2018	299,301	299,301	0	2,281,561	13.12%
2019	298,992	298,992	0	2,345,033	12.75%
2020	325,254	325,254	0	2,551,015	12.75%
2021	339,914	339,914	0	2,665,970	12.75%
2022	331,429	331,429	0	2,599,443	12.75%

*Complete data for this schedule is not available prior to 2015.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Notes to the Required Supplementary Information

For the Year Ended June 30, 2022

NOTE 1 BUDGETS

The District's board follows the procedures established by North Dakota law for the budgetary process. The business manager prepares an annual school district budget and property tax levy. The budget is prepared by funds, function and activity, and includes information on the past year, current year and requested appropriations for the next year.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Administration prepares the District's budget using a modified accrual basis of accounting. The board reviews the budget and makes any necessary revisions. On or before July 31, the board adopts the final budget. The final budget and property tax levy request is sent to the county auditor by August 15.
- The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
- At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

The District's expenses did not exceed budgeted amounts for any fund during the year ended June 30, 2022.

NOTE 2 PENSION PLANS

A. North Dakota Teachers' Fund for Retirement

Changes of Benefit Terms

There were not changes to benefits for the year ended June 30, 2021, the most recent measurement date.

Changes of assumptions.

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated March 19, 2020.

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table

for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;

- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

SUPPLEMENTARY INFORMATION

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

For the Year Ended June 30, 2022

REVENUE:

LOCAL SOURCES

General Property Taxes	2,562,144
Misc Fund Tax Revenue	449,050
Prior Years Tax Levy	94,585
Drivers Education Programs	6,625
Interest Income	4,616
Grants	12,537
Miscellaneous Local Revenues	18,525
Total Local Sources	3,148,081

STATE SOURCES

Per Pupil Aid	1,830,791
Transportation Aid	137,789
State Child Placement	181
Special Education	45,790
Vocational Aid	27,079
Total State Sources	2,041,630

FEDERAL SOURCES

Title I	161,273.01
ND SRCL	36,846
Carl Perkins Grant	16,143
ESP Monies (21st Century Grant)	55,659
Other Federal Grants	393,452
Total Federal Sources	663,373

TOTAL REVENUE	5,853,084
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The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (cont'd)

For the Year ended June 30, 2022

EXPENDITURES:

REGULAR INSTRUCTION

Kindergarten Instruction	128,024
Elementary Instruction	1,074,906
Middle School Instruction	230,839
Senior High Instruction	689,930
Drivers Education	13,981
Total Regular Instruction	2,137,680

SPECIAL EDUCATION PROGRAMS

Special Programs Tuition	27,775
Special Programs Boarding Care	17,187
LRSE Services	46,499
Learning Disabled	472,705
Preschool	52,401
Total Special Education Programs	616,567

CAREER AND TECHNICAL EDUCATION PROGRAMS

Home Economics	99,302
Industrial Arts	102,184
Office Occupations	62,627
Total Vocational Education	264,112

FEDERAL PROGRAMS

Title I Programs	161,273
Instruction	12,621
Improvement of Instruction	92,570
Computer-Assisted Instruction	87,116
Guidance Services	54,241
SRCL	12,120
Other Federal Programs	63,057
Total Federal Programs	482,997

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (cont'd)

For the Year ended June 30, 2022

EXPENDITURES CONT'D:

STUDENT SUPPORT SERVICES

Elementary Library Services	42,232
MS & HS Library Services	40,642
Guidance Services	24,113
General Administration - School Board	95,834
General Administration - Superintendent	174,135
School Administration - Principal	233,593
Support Services - Business	123,796
Operation & Maintenance of Plant	491,274
Student Transportation	320,226
Total Student Support Services	<u>1,545,845</u>

EXTRA CURRICULAR

Student Activities	240,098
Total Extra Curricular	<u>240,098</u>

CAPITAL OUTLAY:

CAPITAL OUTLAY:	163,141
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TOTAL EXPENSES

5,450,440

Excess Revenue over (under)	<u>402,645</u>
Expenses before Interfund Transfers	

OTHER FINANCING SOURCES (USES)

Interfund Transfers In	179,963
Interfund Transfers (Out)	(337,000)

Net Change in Fund Balance	<u>245,608</u>
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Fund balance - July 1	1,454,405
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Restatements	578
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Fund balance - June 30	<u><u>1,700,590</u></u>
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The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2022

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
U. S. Department of Agriculture:			
Passed through the North Dakota Department of Public Instruction			
Child Nutrition Cluster:			
Seamless Summer Option (SSO) Breakfast	10.553	F10553	\$ 62,465
Seamless Summer Option (SSO) Lunch	10.555	F10555	234,552
National School Lunch Program - Commodities *	10.555	F10555	22,771
School Nutrition	10.555	F10555	1,221
Total Child Nutrition Cluster			321,010
Supply Chain Assistance	10.558S	F10555S	11,168
State Administrative Expense (SAE) Funds	10.560	F10560	1,624
SNAP State and Local PEBT	10.649	F10649	614
Total U. S. Department of Agriculture			334,416
U.S. Department of Education:			
Passed through the North Dakota Department of Public Instruction			
Title I Grants to LEA	84.010	F84010	103,287
Supporting Effective Instruction State Grants	84.367	F84367	39,620
Striving Readers Comprehensive Literacy	84.371C	F84371C	36,846
State Support and Academic Enrichment Program	84.424A	F84424A	18,366
Elementary and Secondary School Emergency Relief Funds	84.425D	F84425D	106,975
Elementary and Secondary School Emergency Relief Funds	84.425U	F84425U	233,927
Passed Through Lake Region Special Education Unit:			
IDEA-B	84.027A	F84027A	52,550
Passed Through Devils Lake Public Schools:			
21st Century Community Learning Centers Program	24.287C	NONE	55,659
Vocational Education (Carl Perkins Grant)	84.048	NONE	16,143
Total U. S. Department of Education			663,373
Total Expenditures of Federal Awards			\$ 997,789

* Noncash Assistance

The notes to the financial statements are an integral part of this statement.

LANGDON AREA SCHOOL DISTRICT NO. 23
Langdon, North Dakota
Notes to the Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Langdon Area School District No. 23, Cavalier, North Dakota for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Langdon Area School District No. 23, it is not intended to and does not present the financial position or changes in net position of the Langdon Area School District No. 23. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 NON-CASH AWARDS

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 PASS-THROUGH GRANT NUMBER

For Federal Pass-through programs marked "N/A", the Langdon Area School District No. 23 was unable to obtain a pass-through grant number.

NOTE 5 INDIRECT COST RATE

Langdon Area School District No. 23 has not elected to use the 10 percent de minimis cost rate as allowed under Uniform Guidance



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMANCE IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the School Board
Langdon Area School District No. 23
Langdon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of, Langdon, North Dakota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Langdon Area School District No. 23's basic financial statements and have issued our report thereon dated December 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Langdon Area School District No. 23's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of school district's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2022-1, as described in the accompanying schedule of findings and questioned costs, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2022-2, as described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Langdon Area School District No. 23's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

LANGDON AREA SCHOOL DISTRICT NO. 23's Response to Findings

Langdon Area School District No. 23's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Langdon Area School District No. 23's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
December 19, 2022



CERTIFIED PUBLIC ACCOUNTANTS

Wally Rygh, CPA
Lynda J. Hurtt, CPA
Rachel Almen, CPA
Patty Dahlen, Partner

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the School Board
Langdon Area School District No. 23
Langdon, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Langdon Area School District No. 23, North Dakota's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Langdon Area School District No. 23, North Dakota's major federal programs for the year ended June 30, 2022. Langdon Area School District No. 23, North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Langdon Area School District No. 23, North Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Langdon Area School District No. 23, North Dakota and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Langdon Area School District No. 23, North Dakota's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Langdon Area School District No. 23, North Dakota's federal programs.

Park River:
1203 Park ST E-Box 287
Park River, ND 58270
Phone: (701) 284-7616
Fax: (701) 284-6855

Grafton:
35 West 9th St, Suite A
Grafton, ND 58237
Phone: (701) 352-2285
Fax: (701) 352-2306

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Langdon Area School District No. 23, North Dakota's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Langdon Area School District No. 23, North Dakota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Langdon Area School District No. 23, North Dakota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Langdon Area School District No. 23, North Dakota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Langdon Area School District No. 23, North Dakota's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
December 19, 2022

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Summary of Auditor's Results

For the Year ended June 30, 2022

Financial Statements

Type of auditor's report issued:

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified? ☒ Yes ☐ No

Significant deficiencies identified not considered
to be material weaknesses? ☒ Yes ☐ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness identified? ☐ Yes ☒ No

Significant deficiencies identified that are not
considered to be material weakness? ☐ Yes ☒ No

Type of auditor's report issued on compliance for major federal programs: ☐ Unmodified

Any audit findings disclosed that are required to be reported
in accordance with CFR 200.516 (Uniform Guidance) requirements? ☐ Yes ☒ No

Identification of Major Programs:

84.010	Title I Grants to LEA
84.425D/U	COVID-19 Elementary and Secondary School Emergency Relief Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

LANGDON AREA SCHOOL DISTRICT NO. 23
Langdon, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2022-1 Segregation of Duties

Condition:

The Langdon Area School District No. 23 has a lack of segregation of duties due to the limited number of office personnel. The school district has one business manager responsible for most accounting functions and general ledger maintenance.

Effect:

Without adequate fraud risk programs and controls the school district exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Cause:

There is lack of segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the school district's financial condition.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the district.

Repeat Finding:

See Finding 2021-1

Recommendation:

We recommend sufficient staff be added to properly segregate duties. If the school district is unable to add additional staff, we recommend that the district implement any controls possible to separate the function of approval, posting of transactions, reconciliation, and custody of assets among existing staff. In addition, the school board's oversight role becomes more important. The school board should diligently review financial reports and request additional information for any items that may appear unusual before disbursements and financial reports are approved.

Client Response:

The School Board President agrees with the recommendation. The School Board President does approve

and sign all checks from all bank accounts before release. The financial statements are also reviewed by the School Board.

2022-2 Financial Statement Preparation

Condition:

The District's auditors assists the District's management in preparing financial statements and disclosures that are presented in accordance with the modified accrual basis of accounting. The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Effect:

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Cause:

The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Criteria:

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Repeat Finding:

See Finding 2021-2

Recommendation:

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response:

The School Board is aware of this condition, and will consider the risks and costs associated with the financial statement preparation. The District will continue to request that Mortenson & Rygh assist with preparation of financial statements.

LANGDON AREA SCHOOL DISTRICT NO. 23
Langdon, North Dakota
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2021-1 Segregation of Duties

Condition:

The Langdon Area School District No. 23 has a lack of segregation of duties due to the limited number of office personnel. The school district has one business manager responsible for most accounting functions and general ledger maintenance.

Effect:

Without adequate fraud risk programs and controls the school district exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Cause:

There is lack of segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the school district's financial condition.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the district.

Recommendation:

We recommend sufficient staff be added to properly segregate duties. If the school district is unable to add additional staff, we recommend that the district implement any controls possible to separate the function of approval, posting of transactions, reconciliation, and custody of assets among existing staff. In addition, the school board's oversight role becomes more important. The school board should diligently review financial reports and request additional information for any items that may appear unusual before disbursements and financial reports are approved.

Client Response:

The School Board President agrees with the recommendation. The School Board President does approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the School Board.

Corrective Action Taken

None. See current year finding 2022-1

2021-2 Financial Statement Preparation

Condition:

The District's auditors assists the District's management in preparing financial statements and disclosures that are presented in accordance with the modified accrual basis of accounting. The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Effect:

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Cause:

The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Criteria:

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Recommendation:

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response:

The School Board is aware of this condition, and will consider the risks and costs associated with the financial statement preparation. The District will continue to request that Mortenson & Rygh assist with preparation of financial statements.

Corrective Action Taken

None. See current year finding 2022-1

LANGDON AREA SCHOOL DISTRICT NO. 23

715 14th Ave.

Langdon, ND 58249

TELEPHONE (701)256-5291 • FAX (701)256-2606

<https://www.langdon.k12.nd.us/>



Administration

Daren Christianson, Superintendent
Ethen Askvig, HS/MS Principal
Jacy Bata, Elementary Principal
Shauna Schneider, Business Manager

School Board

Dave Hart, President
Tiffany Hetletved, Vice President
Cynthia Stremick, Director
Daren Bachman, Director
Dawn Kruk, Director
Loren Fetsch, Director
Abby Borchardt, Director

CORRECTIVE ACTION PLAN

As of June 30, 2022

2022-1 Segregation of Duties

Contact Person

Daren Christianson, Superintendent

Planned Corrective Action

The Langdon Area School District does not have sufficient personnel to obtain proper segregation of duties. We will continue to segregate duties to the extent possible.

Anticipated Completion Date

The anticipated completion date is when it becomes cost-effective.

2022-2 Financial Statement Preparation

Contact Person

Daren Christianson, Superintendent

Planned Corrective Action

The business manager along with the superintendent will provide all necessary information and schedules to complete the financial statements and disclosures. The Langdon Area School District feels it is most cost effective to request that Hurtt, Mortenson & Rygh assist with preparation of financial statements.

Anticipated Completion Date

The anticipated completion date is when it becomes cost-effective.